

Message Text

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ACTION EB-08

INFO OCT-01 AF-10 EUR-12 EA-10 ISO-00 CIAE-00 INR-10
NSAE-00 COME-00 TRSE-00 AID-05 OMB-01 GSA-02 SP-02
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P 211449Z JUN 78

FM AMEMBASSY BRUSSELS

TO SECSTATE WASHDC PRIORITY 7414

INFO AMEMBASSY PARIS

AMEMBASSY TOKYO

AMEMBASSY BONN

AMEMBASSY OSLO

AMEMBASSY LONDON

AMEMBASSY ROME

AMEMBASSY OTTAWA

AMEMBASSY CANBERRA

AMEMBASSY LUSAKA

AMEMBASSY KINSHASA

AMEMBASSY SUVA

AMEMBASSY GABORONE

C O N F I D E N T I A L SECTION 01 OF 02 BRUSSELS 12246

E.O. 11652: GDS

TAGS: EMIN, BE

SUBJECT: COBALT

REF: A) BRUSSELS 11632, B) STATE 145925, C) BRUSSELS
10219

1. EMBASSY OFFICER DISCUSSED DEPARTMENT'S REQUEST FOR
COBALT INFORMATION JUNE 20 WITH SOCIETE GENERALE DES
MINERAIS (SGM) DIRECTORS STRUMANS AND SCHEIDWEILER.
THEY PROVIDED A CONSIDERABLE QUANTITY OF INFORMATION
ON SGM'S COBALT PRODUCTION, STOCKS, PRICES AND
ALLOCATIONS POLICY, EXCERPTS OF WHICH FOLLOW. THE
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FULL DOCUMENTATION PROVIDED BY SGM WILL BE GIVEN TO
STEVEN HAAS (EB/ISM) JUNE 26 FOR TRANSMITTAL TO
WASHINGTON. ALL INFORMATION SHOULD BE TREATED AS
BUSINESS CONFIDENTIAL AND SOURCES PROTECTED.

2. CONSUMPTION: BELGIAN CONSUMPTION OF COBALT AND
COBALT PRODUCTS IS MINIMAL. SGM BELIEVES DOMESTIC

BELGIAN CONSUMPTION IN 1977 WAS APPROXIMATELY 140 TONS OF COBALT AND COBALT PRODUCTS AND ESTIMATES THAT 1978 BELGIAN DOMESTIC CONSUMPTION WILL AMOUNT TO 150 TONS.

3. STOCKS: SGM'S PRESENT STOCKS AMOUNT TO 2000 TONS OF REFINED METALS, WITH ESTIMATED 5000 TONS OF COBALT ORE EN ROUTE TO BELGIUM FOR PROCESSING INTO POWDERS, SALTS AND OXIDES AT HOBOKEN/OVERPELT FACILITIES. OF TOTAL GECAMINES OUTPUT, APPROXIMATELY TWO-THIRDS IS REFINED INTO STANDARD METAL IN ZAIRE AND ONE-THIRD PROCESSED INTO POWDERS, SALTS AND OXIDES IN BELGIUM. PRESENT CAPACITY FOR COBALT METAL REFINING IN ZAIRE IS 15-16,000 TONS PER YEAR; CAPACITY IN BELGIUM FOR SPECIALIZED PRODUCT PROCESSING IN BELGIUM IS RATED AT 4800 TONS PER YEAR. AT PRESENT LOW STOCK LEVELS AND COUNTING MATERIAL EN ROUTE, SGM BELIEVES PRESENT STOCKS WILL LAST ONLY THREE MORE MONTHS AT PRESENT CONSUMPTION LEVELS.

4. PRODUCTION: GECAMINES PRODUCTION IN 1977 AMOUNTED TO 10,440 METRIC TONS OF SALEABLE COBALT AND COBALT PRODUCTS FROM PRIMARY AND SOME SECONDARY SOURCES. 1978 RATED OUTPUT WAS ESTIMATED IN JANUARY 1978 AT 14,500 METRIC TONS. SGM REPORTS THAT APPROXIMATELY 6000 TONS OF COBALT WAS PRODUCED UP TO SHABA INCURSION, WITH PRODUCTION RATE FORECASTED INCREASING FROM 800 TONS PER

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MONTH IN EARLY 1978 TO 1000 TONS PER MONTH BY MID-YEAR. LATTER FIGURE ACHIEVED JUST PRIOR TO OUTBREAK OF FIGHTING. SGM ASCERTAINED THAT FIGHTING IN KOLWEZI DID NOT REPEAT NOT CAUSE SIGNIFICANT DAMAGE TO PLANTS, MACHINERY OR PITS. THEY BELIEVE THAT PRODUCTION COULD BE RESUMED QUICKLY, PROVIDED EXPATRIATES CAN BE PERSUADED TO RETURN. IF THEY DO, SGM FORECASTS THAT GECAMINES COBALT PRODUCTION FOR 1978 COULD STILL REACH 8,000 TO 10,000 TONS. SGM WAS UNABLE, HOWEVER, TO PREDICT WHEN EXPATRIATES WOULD RETURN IN SUFFICIENT NUMBER TO ENABLE PRODUCTION TO BE RESTORED. EXPATRIATES' PERCEPTION OF SECURITY IS PARAMOUNT CONSIDERATION, OF COURSE, BUT SGM IS PERSUADED THAT IF SECURITY SITUATION IS STABLE, EXPATRIATES WILL RETURN IN LARGE NUMBERS, PROVIDED QUOTE PRICE IS RIGHT UNQUOTE.

5. PRICES: SGM IS NOW CHARGING \$8.50 PER POUND FOR ELECTRO AND GRANULAR COBALT. PRICES CHARGED FOR OXIDES SALTS AND POWDERS HAVE ALSO GONE UP, BUT NOT PROPORTIONALLY. (MATERIAL THAT HAAS WILL BE HANDCARRYING CONTAINS SGM'S PRICE LIST FOR COBALT PRODUCTS PRIOR TO SHABA INCURSION.) GIVEN SGM'S STOCK SITUATION, PRICES WILL GO UP AGAIN IN

NEXT SEVERAL MONTHS, UNLESS GECAMINES IS ABLE TO RESUME PRODUCTION AND SHIPMENTS. SGM NOTES THAT LONDON SPOT PRICES FOR COBALT METAL HAVE DROPPED FROM THEIR HIGHS OF \$30 PER POUND AND ARE NOW IN THE \$20 PER POUND RANGE.

6. ALLOCATION POLICIES: SGM HAS EXTENDED ITS 70 PERCENT ALLOCATION SYSTEM WORLDWIDE.

7. OTHER INFORMATION: SGM REPORTS THAT GECAMINES P-2 EXPANSION PROJECT (5000/6000 TONS OF COBALT ANNUALLY) IS UNDAMAGED AND COULD MEET ITS END-1979 EARLY-1980 TARGET

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DATE IF EXPATRIATES RETURN. SGM ALSO HAS LONGER-TERM PLANS FOR A P3 PROJECT TO TREAT COBALT TAILINGS WHICH COULD CONCEIVABLY ADD AS MUCH AS 10-15,000 TONS OF COBALT TO GECAMINES' OUTPUT. SGM IS ALSO UNDERTAKING PRELIMINARY STUDIES ON A 1,200 TON COBALT PROJECT IN BLACKBIRD, IDAHO IN COOPERATION WITH NORANDA.

8. SCHEIDWEILER WILL BE VISITING U.S. TO PRESENT

PAPER ON COBALT MARKET TO A SAN DIEGO MINING SEMINAR
WEEK OF JUNE 26. SEMINAR IS SPONSORED BY UNIVERSITY OF
DAYTON AND UCAL AND WILL TAKE PLACE AT LATTER'S LA
JOLLA CAMPUS. IN ADDITION TO SCHEIDWEILER'S PAPER,
THERE IS ALSO A PAPER SCHEDULED TO BE READ ON THE COBALT
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SITUATION IN ZAIRE. DEPARTMENT MAY WISH TO ACQUIRE BOTH.
CHAMBERS

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